DOC NO. 5114

MEMORANDUM

NOVEMBER 10, 1988

TO: BOSTON REDEVELOPMENT AUTHORITY AND
STEPHEN COYLE, DIRECTOR

FROM: ANTHONY WILLIAMS, ASSISTANT DIRECTOR FOR
NEIGHBORHOOD HOUSING AND DEVELOPMENT
MARIA FARIA, SENIOR PROJECT MANAGER
THOMAS O'MALLEY, SENIOR PROJECT MANAGER

SUBJECT: SOUTH END RENEWAL AREA PROJECT NO. MASS R-56
DE-DESIGNATION OF REDEVELOPER OF RE-USE PARCEL
SE-72 LOCATED AT 1734-1740 WASHINGTON STREET
KNOWN AS THE LODGING HOUSING, AND FURTHER THE
TENTATIVE DESIGNATION OF PAUL SULLIVAN HOUSING
TRUST AS REDEVELOPER OF PARCEL SE-72.

SUMMARY: This memorandum requests that the Authority rescind the tentative designation of Renaissance Properties Inc. as redeveloper of Parcel SE-72; and further that the Authority tentatively designate Paul Sullivan Housing Trust as redeveloper of Parcel SE-72.

Parcel SE-110, located at 1682 Washington Street, is a vacant three-story house commonly known as the Allen House with attached ballroom on 5,680 square feet of land. Parcel SE-72, located at 1734-1740 Washington Street, is a vacant five-story building on 4,410 square feet of land. Parcel RR-121, located at 1724-1726 Washington Street, is a vacant three-story building on 2,950 square feet of land. These three sites were offered for development under Phase I of the South End Neighborhood Housing Initiative (SENHI) program.

On October 8, 1987, Renaissance Properties Inc. ("RPI") of 321 Columbus Avenue was tentatively designated as redeveloper of Parcels SE-72, SE-110 and RR-121. The proposal submitted by RPI's team on these three parcels called for the development of a total of fifty-four (54) housing units, of which two-thirds would be reserved for affordable housing. The development also included 3,910 square feet of commercial space.

On September 20, 1988, Renaissance Properties Inc. notified the Authority in writing that the three properties need to be developed as expeditiously as possible due to their deteriorated structural condition. However, Renaissance Properties Inc. is unable to proceed with the development of all three properties as expeditiously as needed. Therefore, staff is hereby recommending that RPI's tentative designation as redeveloper of Parcel SE-72 be rescinded. See attached letter.

Paul Sullivan Housing Trust ("Trust"), located at 434 Harrison Avenue, Boston, has expressed an interest in developing the Lodging house at 1734-1740 Washington Street. The Trust intends to continue with the original plan submitted by RPI. As a non-profit corporation PSHT will have access to programs and funds reserved for non-profits. The original proposal included the Trust as a long-term manager for the property. The plan called for two (2) resident managers and a full time social worker to administer the operation of the thirty-two (32) units.

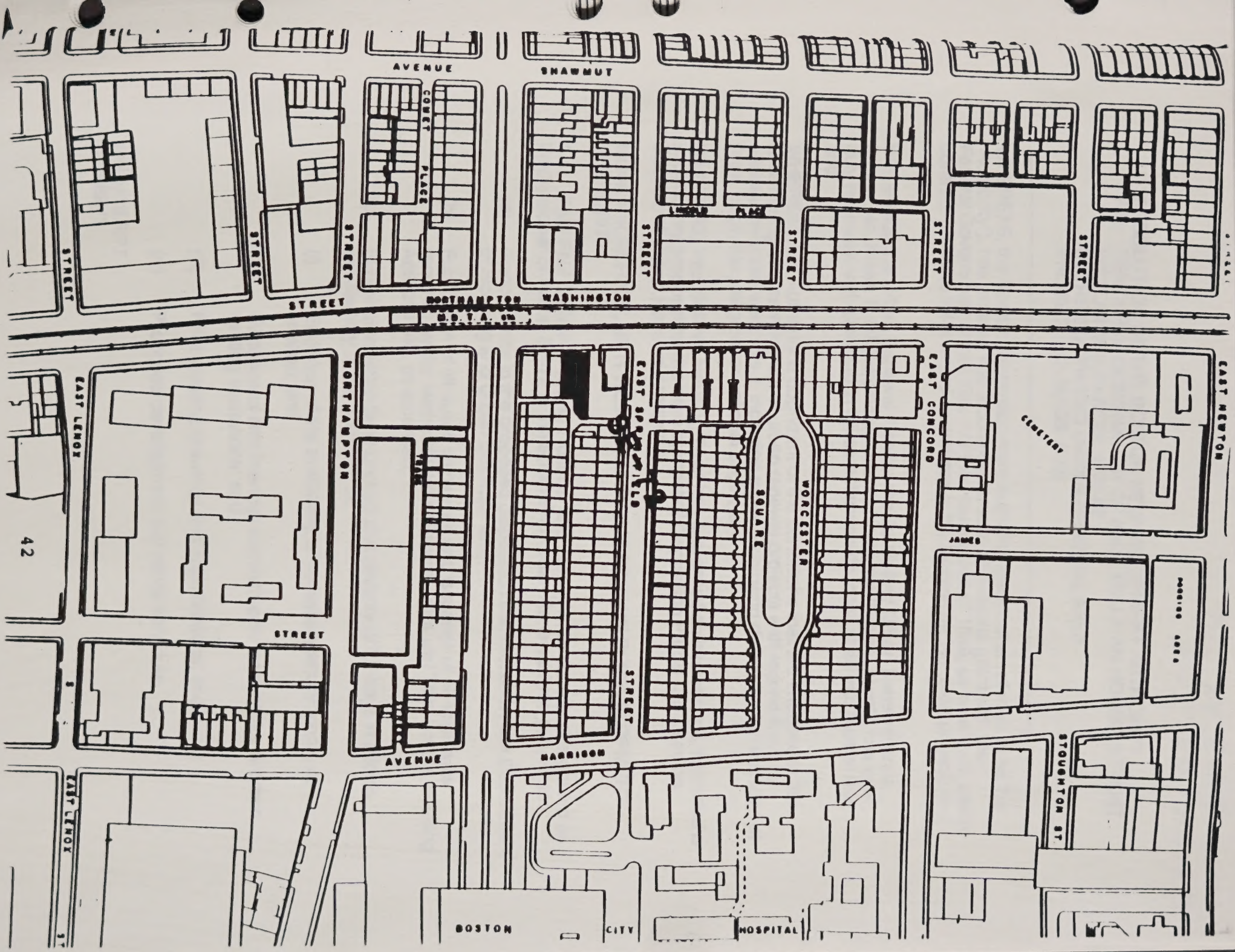
The proposal, submitted by RPI for the Lodging house at 1734-1740 Washington Street, called for the renovation of the five-story building into thirty-two (32) single-room-occupancy (SRO) units, a one-bedroom unit, and 3,160 square feet of ground floor retail space. The average SRO was 160 square feet, with units ranging from 140 to 200 square feet. There are approximately six (6) units per floor. Two kitchen/lounge areas would be available for the use by the residents.

Because of the Sullivan Trust's involvement with RPI and its continuing commitment to provide long-term affordable housing for the homeless, it is the opinion of the staff that the Trust should be granted tentative designation as redeveloper of 1734-1740 Washington Street.

It is, therefore, recommended that the tentative designation of Renaissance Properties Inc. as redeveloper of Parcel SE-72, located at 1734-1740 Washington Street be rescinded and further that Paul Sullivan Housing Trust be granted tentative designation as redeveloper of Parcel SE-72.

An appropriate vote and resolution follows:

VOTED: That the tentative designation of Renaissance Properties Inc. as redeveloper of Parcel SE-72 in the South End Urban Renewal Area be rescinded.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SQUARE
WORCESTER
EAST CONCORD
CEMETERY
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HOSPITAL

Doc. No. 5114
ADOPTED 11/10/88

RESOLUTION OF THE BOSTON REDEVELOPMENT AUTHORITY
RE: TENTATIVE DESIGNATION OF PAUL SULLIVAN HOUSING TRUST
DISPOSITION PARCEL #SE-72
IN THE SOUTH END URBAN RENEWAL AREA
PROJECT NO. MASS. R-56

WHEREAS, the Boston Redevelopment Authority (hereinafter referred to as the "Authority"), has entered into a contract for loan and capital grant with the Federal Government under Title I of the Housing Act of 1949, as amended, which contract provides for financial assistance in the hereinafter identified project; and

WHEREAS, the Urban Renewal Plan for the South End Urban Renewal Area, Project No. Mass. R-56 (hereinafter referred to as the "Project Area"), has been duly reviewed and approved in full compliance with local, state and federal law; and

WHEREAS, the Authority is cognizant of the conditions that are imposed in the undertaking and carrying out of urban renewal projects with federal financial assistance under said Title I, including those prohibiting discrimination because of race, color, sex, religion, or national origin; and

WHEREAS, Paul Sullivan Housing Trust has expressed an interest and submitted a satisfactory proposal for the development of Disposition Parcel SE-72 in the South End Urban Renewal Area; and

NOW, THEREFORE, BE IT RESOLVED BY THE BOSTON REDEVELOPMENT AUTHORITY:

1. That Paul Sullivan Housing Trust be, and hereby is, tentatively designated as Redeveloper of Parcel SE-72 in the South End Urban Renewal Area subject to:

   (a) Concurrence in the proposed disposition transaction by the Department of Housing and Urban Development;

   (b) Publication of all public disclosure and issuance of all approvals required by the Massachusetts General Laws and Title I of the Housing Acts of 1949, as amended;

   (c) Submission within two hundred and seventy (270) days in a form satisfactory to the Authority of:

      (i) Evidence of the availability of necessary equity funds, as needed; and

      (ii) Evidence of firm financial commitments from banks or other lending institutions; and

      (iii) Final working drawings and specifications; and

      (iv) Proposed development and rental schedule.

2. That disposal of said parcel by negotiation is the appropriate method of making the land available for redevelopment.

3. That it is hereby found and determined that the proposed development will not result in significant damage to the environment and further, that all practicable feasible means and measures have been taken to avoid or minimize damage to the environment.

4. That the developer be, and hereby is, authorized to petition the Board of Appeals for any zoning changes that may be necessary to complete the proposed development.

5. That the Secretary is hereby authorized to execute and deliver a License Agreement with Paul Sullivan Housing Trust for early entry to Parcel SE-72 for the purpose of removing fire damaged materials and other debris. Furthermore, said License shall include the provision that the authority shall be named as additional insured, as well as incorporate the Authority's usual requirements.

6. That the Secretary is hereby authorized and directed to publish notice of the proposed disposal transaction in accordance with Section 105(E) of the Housing Act of 1949, as amended, including information with respect to the "Redevelopers Statement for Public Disclosure" (Federal Form H-6004).

PAUL SULLIVAN HOUSING TRUST

434 Harrison Avenue
Boston, MA 02118

Director
Ann L. Slattery

(617) 574-9004

October 26, 1988

Mr. Stephen Coyle
Director,
Boston Redevelopment Authority
One City Hall Square
Boston, MA 02201

Dear Mr. Coyle:

On Behalf of the Paul Sullivan Housing Trust, I would like to express our interest in developing the BRA owned property at 1734 Washington Street in the South End into a 31 unit lodging house. As you know, the Paul Sullivan Housing Trust is well acquainted with this property. Originally, we were to be the managers of this property as a result of a relationship we established with Renaissance Properties earlier in the SENHI process. In addition, the the Paul Sullivan Housing Trust to date has developed nearly 100 SRO units in the Boston Area, including 15 SRO units on nearby Shawmut Avenue, and we believe we have the experience and capacity to successfully develop this property.

It would be our intention to implement the design and program for the building that was proposed by Renaissance Properties since we originally worked with them in defining the scope of this development. The facade and storefront would be restored as planned. In addition to 31 SRO units, the building would have a full time resident manager's apartment and a part time manager's efficiency unit. There would be a common living room, kitchen, and dining room, and office space for a full time social worker who would provide supportive service to the residents. We would look to lease the approximately 2,500 square feet of ground floor commercial space to a neighborhood business.

The preliminary development team would include Migliassi/Jackson as architect, Hale & Dorr as attorney, and Trinity Financial as developer. It would be our desire to competitively bid the project to a number of local general contractors once plans and specifications were complete. As originally intended, the Paul Sullivan Housing Trust would be the managing agent.

I would like to point out that our enthusiasm for this property is tempered by two concerns. As you know, the Paul Sullivan Housing Trust has a stated policy of owning all of its property in perpetuity and does not want to be faced with losing what could be an important asset for Boston's homeless population. The first concern has to do with the need to syndicate this property in order to raise sufficient funds to complete the project. This, in effect, forces us to "sell" the project to limited partners in order for them to take advantage of the tax benefits. At the end of the investment period, typically 15 years, the investors will be seeking to recoup their capital by selling the building. Without knowing the sale price at that time, or what the Trust's financial picture will be in fifteen years, the prospects for us in acquiring the building on a permanent basis are uncertain at best.

The second concern has to do with the lack of operating subsidies, which will be critical to making these units available to low income individuals. We believe we will have some success in obtaining operating subsidies from the State, but we will fall considerably short of the 31 that will be required. At a minimum, we will need strong support from your office in order to obtain our fair share of remaining operating subsidies that are still available. In addition, we would hope we could rely on the BRA to support our request to the Neighborhood Housing Trust for some level of financial assistance so that we could meet what will surely be an annual operating shortfall in the absence of a full allocation of operating subsidies. In addition, we would hope that the Neighborhood Housing Trust could consider structuring this financial assistance in such a way as to address the long term ownership issues described above. We will be happy to submit a financial plan for the redevelopment of this property which will provide more detail as to the level of financial assistance required, as well as how this might be structured.

In closing, I would like to thank you for all of your efforts in behalf of Boston's homeless population and for your continued support for the Paul Sullivan Housing Trust. If our concerns relative to long term ownership and operating subsidies can be successfully managed, we are confident we can complete this important and worthwhile project.

Very truly yours,

Ann L. Slattery

Ann L. Slattery
Director

cc: Tom O'Malley

Renaissance Properties

Development
and Restoration

Electric Carriage House
321 Columbus Avenue
Boston, Massachusetts
02116-3114

617 536-2700

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AS OF _____

September 20, 1988

Mr. Stephen Coyle
Director
Boston Redevelopment Authority
Boston City Hall
Boston, MA 02201

Re: SENHI Phase I

Dear Mr. Coyle:

We are most appreciative for the meeting with you and your staff yesterday. At this time, Renaissance Properties concurs with your conviction that these three properties on Washington Street, the Allen House, the Porter House, and the Lodging House, need to be developed expeditiously, especially in view of their deteriorated structural condition. In the interest of achieving this goal, we request to withdraw Renaissance Properties as the tentative designee of these three parcels. This would enable the Agency to act with the most deliberate speed to bring in another developer to restore these buildings.

We have worked diligently during the course of the past ten months on every permutation and combination of solutions to these properties. The critical changes that have most impacted our proposed scenarios for these housing developments since our original submission nearly eighteen months ago are as follows:

1. A substantial increase in interest rates for both construction and permanent financing since our original submission.

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2. A 15 to 20 percent increase in city-wide construction costs for small scale rehabilitation since our original response to the RFP. Our most recent restoration of BRA buildings in similar structural condition yielded actual construction costs of between $115 - 125 per square foot.

3. Our investigation showing nearly complete structural deterioration of two of the three buildings.

4. A dramatic shift in market conditions leaving literally hundreds of unsold units on the market making it impossible to finance these SENNI projects.

As an example, the Allen House even as a market-rate housing development, will lose nearly $500,000. Our assumptions for this development scenario were conservative but reasonable. We have used a market-rate sell out of $190 per net saleable square foot and construction costs per gross square foot in excess of $100, inclusive of the extraordinary exterior restoration which would be required. Additional extraordinary factors particular to this project include: 1) the rear auditorium which has no residential structure at all and may need interior pile driving or demolition costing well over six figures; 2) the extreme inefficiency of this historic structure; 3) what was designed as a single family mansion is very costly to readapt to multifamily use, especially relative to egress requirements; and 4) the extensive renovation of an elaborate exterior. For these reasons, we strongly recommend that an alternative use for the Allen House be sought, perhaps as a neighborhood meeting space or neighborhood services center. Perhaps corporate or foundation donations could assist in this solution.

We remain very supportive of the SENHI process as we have been involved in SENHI's evolution since its inception. We wish to offer, on a pro bono basis, Renaissance Properties' services and expertise from our construction, development, marketing, property management, and financial departments to assist in the development of these parcels. We would make available up to $75,000 of in-kind services.

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Additionally, we will donate all of the work performed to date including hundreds of hours of pro forma analysis, market analysis, and other critical development information. We will also make available all the architectural work which has been accomplished to date including development schematics and certain as-built measurements. These services to date total approximately $50,000.

Finally, we will make available a $25,000 cash contribution to provide the new development team with some initial working capital to get them started in the process.

At your direction, we will also do everything in our power to encourage the involvement of the Paul Sullivan Housing Trust in the formation of a single room occupancy solution to the Lodging House.

Very truly yours,

Roger E. Tackeff
Chairman

RET/jes